

Bat Trang Ceramics Competitiveness Strategy

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This report was prepared by Dr John F. Mooney, Mr. Kevin X. Murphy, Dr Roger H. Ford, Ms Jennifer V. Herink, and Ms Tran Thu Hien. The methodology used in this study includes a variety of industry cluster and competitiveness diagnostic tools; an industry expert and competitiveness specialists have applied these diagnostic tools to the data collected from surveys and focus groups of Bat Trang producers and industry stakeholders. While the strategies and initiatives outlined in this report have a high probability of making a major impact on the sales growth and profitability of the Bat Trang ceramics cluster over a 3-5 year time period, this study was limited by time, scope and budget. Further study and technical assistance will be required to validate and implement the initiatives identified in this report.



List of terms

BTA	Bilateral Trade Agreement
HSB	Hanoi School of Business
JAA	J. E. Austin Associates Inc.
LPG	Liquid Petroleum Gas
MPDF	Mekong Project Development Facility
R&D	Research and Development
SWOT	Strengths, Weaknesses, Opportunities, and Threats
USAID	United States Agency for International Development
VCCI	Vietnam Chamber of Commerce
VNCI	Vietnam Competitiveness Initiative
VARISME	Vietnam Association for Rural Industrial Small and Medium Enterprises
VNAT	Vietnam Association for Tourism
VNU	Vietnam national University

Preface

In an era when technological and transportation advances are making the world seem smaller and smaller, businesses, industries, and even governments are having to learn how to compete in the global economy. The internet, decreasing telecommunications and transportation prices, and international trade agreements are causing goods, services, raw materials, jobs, and even direct labor to flow rapidly from country to country, among firms and consumers that are always looking for better quality at a better price. Many manufacturers in developing countries continue to depend on comparative advantages, such as cheap labor, and find themselves stuck in a 'low-cost trap', competing with other developing countries in a way that actually keeps them poor.

At the national level, competitiveness can be defined as sustainable growth in productivity that results in an improved standard of living for average citizens. A nation's competitiveness is driven by its micro-environment, macro-environment, and quality of business strategy and operations.¹ At the industry level, competitiveness is also driven by the cooperation and coordination of all firms within an industry, including each point of the supply-chain. This grouping, which includes all stakeholders in an industry, is referred to as a 'cluster'.

For more than 20 years, research by Dr Michael Porter and others has demonstrated that a key to both industry and national success is the presence of industry clusters.² Dr Porter explains that,

“Once a cluster forms, the whole group of industries becomes mutually supporting. Benefits flow forward, backward, and horizontally... Interconnections within the cluster, often unanticipated, lead to the perception of new ways of competing and entirely new opportunities... National industries are thus more able to sustain advantage instead of losing it to other nations who innovate... As more industries are exposed to international competition in the economy, the more pronounced the movement toward clustering will become.”³

Cooperation and coordination facilitate efficiency. By supporting each other in a cluster, competing firms will increase their own market-share as they leverage pooled resources to tackle international markets together.

As part of its commitment to facilitate a smooth and successful implementation of the Vietnam/USA Bilateral Trade Agreement, the United States Agency for International Development, (USAID) has funded the Vietnam Competitiveness Initiative (VNCI). J. E. Austin Associates (JAA) is managing VNCI through its Vietnam Representative Office and its counterpart, the Hanoi School of Business, Vietnam National University.

¹ Michael Porter, 1990. *The Competitive Advantage of Nations*, Free Press, New York, pp. 6-19.

² Ibid, p. 73.

³ Ibid, pp. 151-152.

VNCI investigated approximately 20 potential industry clusters during the fall of 2002. That research led to a decision to offer assistance to four clusters in two cities: the Software/ICT Clusters in both Hanoi and Saigon, the Fruit Cluster in Saigon, and the Fine Arts Ceramics Cluster in Bat Trang village outside of Hanoi. VNCI is working with the leadership and members of these clusters to identify weaknesses in their competitiveness and to formulate strategies, implement initiatives, and remove constraints to competitive growth in the local, regional, and global economies.

VNCI initiated its work with the industry clusters by identifying and bringing together cluster 'champions', including the heads of industry business associations, leading entrepreneurs, appropriate government officials, and other key individuals to explain and drive the process. This involved applying a set of business and industry diagnostic tools, rather than relying on a single diagnostic tool, to better understand the local industry and its current competitiveness position in both the local and global economies.

VNCI staff, along with other JAA experts and industry consultants, are assisting the cluster leadership to develop and implement a strategic plan for each cluster, including a menu of specific strategic action initiatives designed to improve the competitiveness of the industry and individual firms. A key component of this process is developing a strong cluster by identifying appropriate areas for cooperation among firms that can remove constraints and improve competitiveness for all.

This document is the Competitiveness Strategy for the Bat Trang Ceramics Cluster in Vietnam. We hope that the contents are useful to furthering the development and success of the cluster, resulting in improved competitiveness, which will lead to higher exports, employment, company profit and added value for the industry and the nation of Vietnam. This is only a strategy, however. The end result will depend on the continuing collaboration of the cluster members as they implement the strategies and action initiatives suggested in the document, and, even more important, as they discover new ways to innovate and cooperate that the strategy authors have not even considered.

It has been said that,

“Competitive advantage starts with an explicit strategy shared within the cluster itself.”⁴

We would like to thank and congratulate the Bat Trang Ceramics Cluster for taking this important first step towards building a lasting competitiveness strategy.⁵

⁴ Michael Fairbanks and Stace Lindsay, 1997. *Plowing the Sea*, Harvard Business School Press, Boston, p.82.

⁵ For a more detailed explanation of the cluster approach used by J. E. Austin Associates, please see the Cluster Engagement Model located in Annex 2.

1. Executive Summary

The fine art ceramics industry, with almost \$110M in exports in 2000, is an important foreign exchange earner for Vietnam. Bat Trang is a key center of ceramics production in Vietnam, producing \$40M in exports last year, and 83% of families living in the village are directly involved in the industry. Bat Trang has been producing ceramics for 1000 years, particularly what is now defined as dinnerware and ornamental ware.

Production of ceramics such as tableware, art or ornamental ware, and wall and floor tiles continue to move from traditional centers to emerging economies. China is becoming a major force in the industry; their annual output is 10 billion pieces, about 60% of the world's output. Vietnamese ceramics face stiff competition from China in both the domestic and international markets. Increased casual dining is changing buying patterns from traditional formal dinnerware to more casual designs, making tableware a fashion item with a shorter lifespan. The U.S. tableware market is growing at 4-5% per year and ornaments that reflect sentimental value are also in high demand.

Perhaps the most outstanding strength of Bat Trang village is its tradition of making pottery. The people are very skillful and talented, producing a product that has a distinctive look. The overriding weakness of Bat Trang could be considered the image of the village and its products as being low quality. Much of the quality control problem is due to the lack of process standardization, testing tools, and process knowledge and training. The technology used is judged adequate for the product produced with the exception of the many outdated coal burning kilns/ furnaces in use. Additionally, Bat Trang producers report having very little access to and knowledge of foreign customers' tastes and requirements.

The highest quality Bat Trang ceramic is among the best in the world but there is a wide difference between the top and the bottom quality wares produced in the village. The producers in Bat Trang do not get direct and immediate signals on the latest design and consumer trends, or information on how to adapt products to gain substantial increases in margin. The current strategy seems to be to compete on the basis of low cost with a limited line of traditional products selling largely through intermediary buyers. This is not a competitive strategy.

As a result of this analysis, VNCI has identified six key strategies as critical areas to improve the competitiveness of Bat Trang ceramics:

- 1) Marketing (international and local)
- 2) Quality improvements
- 3) Workforce action initiatives
- 4) Linkages to design, R&D and education institutions
- 5) Destination Bat Trang
- 6) Village Master Plan

A menu of short-term, intermediate-term, and long-term action initiatives which correspond to each strategy, have been identified to help Bat Trang achieve the

above strategies. These action items are offered in the hope that some will receive the support of the cluster, VNCI, and other donors as they partner to fulfill the strategic objectives of the cluster. It is important, however, that all activities are done under a guiding principle that must be the preserve the heritage of Bat Trang.



2. Background

According to legend, Bach Tho village was first settled almost 1000 years ago when King Ly Thai To moved the capital from Ninh Binh province to the site of present-day Hanoi. The King ordered 12 artisans from the ceramics producing village of Bo Bat, in Ninh Binh, to move with the king to produce bricks for construction of the new capital. The original families that moved north stayed in their new home and restarted their traditional ceramics production businesses. As the northern ceramics business developed and prospered, more artisans immigrated from Bo Bat. Bach Tho was renamed Bat Trang in the fifteenth century; the tradition of producing quality ceramics continues today.

The fine art ceramics industry, with almost \$110M in exports in 2000, is an important foreign exchange earner for Vietnam. Bat Trang is a key center of ceramics production in Vietnam, with \$40M in exports, and 83% of families there are directly involved in ceramics production. This regional cluster was chosen not only because of its importance but also because of the high level of commitment demonstrated by the village leaders and participants during the initial cluster meetings held by J.E. Austin Associates in late 2002.

This is a unique period in time for Bat Trang. With the advent of Doi Moi, firms now have the opportunity to export and market directly, opening up new possibilities for generating prosperity for family-owned businesses. However, most firms are relatively new to marketing and exporting and lack the skills, strategies and contacts to take full advantage of their new access to world markets. Furthermore, the Bilateral Trade Agreement with the U.S. provides new prospects for export and building economic ties but not all firms know how to take advantage of this opportunity. Bat Trang is still caught in a low-cost trap and needs to leverage its competitive advantages to become a major force on the world ceramics market. Better competitiveness strategies could improve the livelihoods of the residents of Bat Trang.

USAID has recently endorsed driving economic growth by building competitiveness in partner countries.⁶ The successful implementation of competitiveness tools in Bat Trang will validate this policy and serve as a model for application in other clusters and villages in Vietnam. The Vice-Chairman of the Vietnam Chamber of Commerce and Industry, Ms. Pham Chi Lan has also spoken in support of competitiveness as a driver of economic growth, explaining that cooperation among Vietnamese companies to create strong clusters will improve Vietnam's international competitiveness.⁷ The success of this effort depends on the initiative of Bat Trang leaders more than on the advice of the industry experts and business strategists mobilized by the project. Therefore, this project has worked closely with industry stakeholders in Bat Trang.

⁶ USAID, 2002. *Foreign aid in the national interest: promoting freedom, security, and opportunity*, p. 66.

⁷ Phuong Ha, "Local Clothes Makers Face Tough Times", *Vietnam News*, February 24, 2003, p. 2.

3. *Diagnostics*

3.1 Ceramics classifications

The classification of “ceramics” is divided into four segments: glass, structural ceramics, technical ceramics, and whitewares. This diagnostic relates to whitewares, which is further divided into:

- Sanitary ware;
- Wall and floor tiles;
- Dinnerware; and,
- Ornamental ware.

Dinnerware and ornamental ware are the sub-segments that are produced at Bat Trang village. Within these sub-segments are:

- High-end dinnerware, such as produced by Wedgwood and Noritake;
- Mass market dinnerware and ornamental items; and,
- Niche market ornamental ware and dinnerware items.

Bat Trang products fall into the latter two categories, with the major emphasis on the niche market.

3.2 Market and consumer trends

In recent years the ceramics industry has undergone a major change. Large-scale manufacturing has moved from its traditional centers in Europe, Japan, and the United States to East and South Asia, Eastern Europe and South America. Traditional manufacturers are trying to compete by decreasing consumption of high cost materials, moving production to lower labor cost areas, and outsourcing production. A significant number of traditional names in the field have moved to higher profit margin items and/or gone out of business. Production of ceramics, such as tableware, art or ornamental ware, and wall and floor tiles, continue to move from traditional centers to emerging economies. Only Italy and Spain remain strong as traditional tile manufacturers. Asian competition is already forcing some companies to move, from Korea and Japan to China and Indonesia, for example. Increased casual dining is changing buying patterns from traditional formal dinnerware to more casual designs, making tableware a fashion item with a shorter lifespan. Stringent food-contact legislation worldwide is causing manufacturers to look for substitute materials for lead and other harmful substances in glazes. Worldwide standards are, however, somewhat confused and non-uniform.

China

The major player in world ceramics today is China, more by reputation than performance. Vietnamese ceramics face stiff competition from China in both the domestic and international markets. There are 1800 medium to small companies in China specializing in ceramic and porcelain products. Their annual output is

10 billion pieces, about 60% of the world's output. The industry has good local raw materials, cheap labor, and is heavily subsidized by the government. China's reputation is based more on price than quality, however. Investment in new technology, which would improve quality, has not happened to any extent at this time.

United States

The two fastest growing sectors of the U.S. market, tableware and ceramic tile, hold promise for exporters. Since 1998 the U.S. tableware market has grown 4-5% per year, while the market for tiles has grown at 7.7%. The U.S. tableware market is estimated at \$5.3 billion for 2002, while the tile market is three to four times that size, and on a per capita basis, is the fastest growing in the world. Ornaments that reflect sentimental value are also in high demand, including ornaments commemorating occasions such as weddings, births, anniversaries, and graduations.

Japan

Japan is a traditional producer of high-end dinnerware, including famous brands such as Noritake and Mikasa. The World Trade Center in Japan advises producers considering the Japanese market to carefully research Japanese consumer trends and to first penetrate the market with ornamental ware before dinnerware.⁸ Most ceramics used in Japan are domestically produced, and imports have yet to make a major impact on the market. Last year, Japan imported only \$640M of pottery, of which, \$8M was from Vietnam.⁹

3.3 SWOT analysis

One of the most basic business diagnostic tools is the SWOT Analysis (Strengths, Weaknesses, Opportunities, and Threats.) This is performed early in the diagnostic process to provide an initial indicator of the most obvious issues and problems faced, as well as key opportunities available to the industry.

The sources of information for this analysis include interviews conducted by the Hanoi School of Business, questionnaires administered during cluster meetings, cluster meeting discussion sessions, and other personal knowledge contributed by individuals and the VNCI team and consultants, as well as a variety of secondary sources. All data collection was conducted in January 2003.

Strengths

Perhaps the most outstanding strength of Bat Trang village is 1,000 years of tradition in making pottery. It is a small village of 164 hectares (five of which comprise the old section of town) with approximately 1,300 families making ceramics by virtually the same methods of their ancestors who founded the village in the fifteenth century. The people are very skillful and talented, producing a product that has a distinctive look (color, glaze, art, style). Bat Trang also has excess capacity, reported to range from two to three times current production levels. Another strength is the village's proximity to Hanoi, only 45 minutes away.

⁸ World Trade Centers in Japan: Japanese Market News; <http://www.wtcjapan.ne.jp/jmn/pottery.html>

⁹ "Japan goes potty over Vietnamese handicrafts", *Vietnam News*, February 15, 2002.

Weaknesses

The overriding weakness of Bat Trang could be considered the image of the village and its products as being low quality. The access road is in poor condition, products are often delivered and sold using bicycles, and the village is filled with dirty, coal-fired kilns, which reduce product quality. While the products could be considered “quaint”, others would call the product line simple (all products look about the



*Products are
carried by hand between
establishment of Bat Trang
(photo by VNCI)*

same) and of poor quality in terms of consistency. (The products were rated by J.E. Austin specialist and ceramics engineer Dr John Mooney as the best being the best in the world, but the worse being worse than poor quality products from other countries. Much of the quality control problem is due to the lack of process standardization, testing tools, and process knowledge and training. Bat Trang businesses also report having very little access to, and knowledge of, foreign customers; most Bat Trang producers sell to the international market through middlemen.

Opportunities

Because Bat Trang has many unique advantages, it was easy to generate opportunities for improving competitiveness. Among these opportunities are process and technology improvements, increased university and R&D linkages, and development of new product lines. Leveraging its history and long pottery tradition, Bat Trang could also take advantage of the rapid increase in tourism in Vietnam and promote itself as a tourist destination. Located outside Hanoi, Bat Trang already is enjoying an increase in tourism, but has not developed any strategy to promote and capitalize on this increase.

Threats

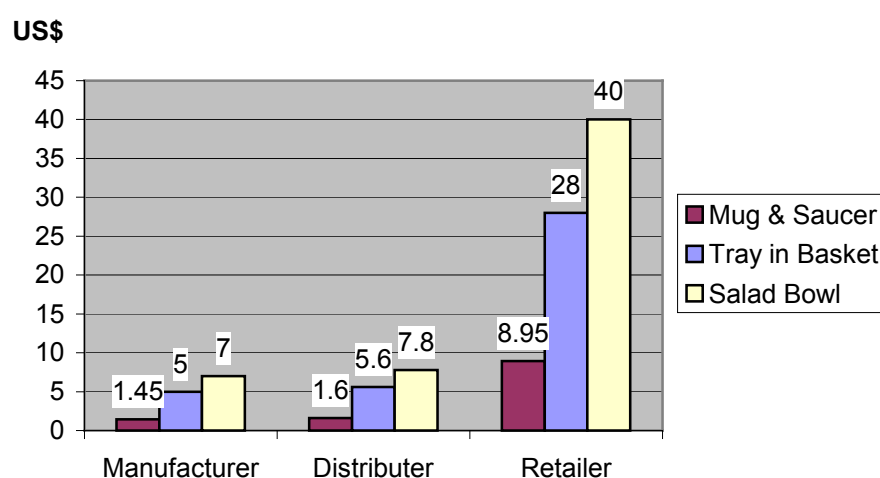
A major concern raised in the analysis is that Bat Trang-type products face stiff competition from China. Even in the domestic market a casual observation suggests that more Chinese products fill the shops than Bat Trang products. When asked why they do not carry Bat Trang goods, some shop owners replied either “poor quality” or “too expensive,” depending on the type of shop. Another

threat is that many of Bat Trang's better artists and more successful business people were leaving the village and moving to the south (Ho Chi Minh City area), where business is better.

3.4 Value Chain Analysis

A 'value chain' is a linked series of value-added activities in an organization or an industry. The value chain provided here is designed to provide an example of the price-markup on Bat Trang products after they leave Bat Trang for export. Several typical items that are produced in Bat Trang have been selected for analysis; the prices shown are actual prices.

Table 1. Bat Trang Ceramics Value Chain



From this diagram we can determine that the price the retailer paid the distributor is approximately 20% of the final U.S. retail price on all the items. The amount the distributor paid the manufacturer is less than 20% of the final retail price in the U.S. It should be noted, however, that the retail prices in this value chain are conservative because they are based on data from a not-for-profit fair trade retailer and distributor; the retail price, and possibly the distributor's price, would likely be higher at a for-profit or more upscale shop. It should also be noted that all import duties and other international fees, costs, and taxes are reflected in the end retail price, so we cannot determine the retailer's actual profit-margin. Import and export duties may go down after implementation of the Bilateral Trade Agreement with the U.S.

3.5 GAP Analysis

The GAP analysis shown on Table 2 on the next page compares major ceramics producing countries rated by quality and technology capabilities. The ceramics industries in these countries have developed into three groups. The Group A comprises those countries with no major weaknesses in technology or marketplace, although the technology base in the U.S is eroding slightly as more graduate engineers head into "high tech" industries rather than the traditional ceramics-producing sector.

Table 2. GAP Analysis
Quality/Technology Comparison of Ceramics by Country

Group	Country/region	Technology	Skill	Attitude	Aesthetic quality	Technical quality	Test equipment & process control	Cleanliness	Subjective rating
Group A	Italy	very high	medium	high	high	high	very high	high/medium	1
	Spain	very high	medium	medium	high	high	high	high/medium	1.5
	Germany	high	medium	high	medium	very high	high	medium	2
	USA	high/medium	medium	medium	medium	medium	high	medium	2.5
Group B	Sri Lanka	medium/low	very high	high	high	low	low	high	3
	United Kingdom	medium/low	medium/low	low	high/medium	medium	high	low	3
	BAT TRANG	medium	very high	very high	very high	low	low	high	4
	Indonesia	medium	medium	medium	medium	low	low	low	4
	China	high	low	low	medium	medium	low	low	4
Group C	Thailand	medium	low	medium	high	medium	medium	low	5
	South America	high/med	low	medium	medium	medium	medium	low	6
	Turkey	medium	medium	low	low	medium	medium	low	7
	Philippines	low	low	medium	low	low	low	medium	9

Group B is a combination of emerging and declining manufacturing countries. Labor costs and a slightly declining technology base hinder the industry in the UK. Indonesia and China are emerging, but are troubled by growing pains and indifferent product quality consistency. Sri Lanka is just beginning to brand products and take advantage of its skilled labor force.

Bat Trang village falls into Group B because of its extremely high aesthetic quality, dedicated workforce and high-level of manual skills. The technology used is judged adequate for the product produced with the exception of the many outdated coal burning kilns/furnaces in use. The highest quality Bat Trang ceramic is among the best in the world but there is a wide difference between the top and the bottom quality wares produced in the village.

Information for this GAP Analysis has been obtained primarily from Dr. John Mooney who has 45 years of experience in assessing ceramics, as well as a variety of secondary and local information from Vietnam.

3.6 Diamond Analysis

The Porter Diamond¹⁰ is a strategic tool used to analyze the competitiveness of firms, industry clusters and regions. Fortune 500 companies and governments in many parts of the world have used it as a diagnostic tool to identify opportunities to improve competitiveness. The tool was based on the findings of extensive research that identified key factors explaining competitiveness of industry clusters in widely varying national environments. For further information on Diamond Analysis, readers should refer to Dr. Michael Porter's key work on this strategic tool.¹¹ The diamond analysis given in Table 3 on the next page demonstrates the four determinants of competitiveness in the context of Bat Trang's ceramics industry.

Demand conditions

Demand conditions¹² are very weak. The Bat Trang ceramics cluster lacks direct contact with sophisticated and demanding consumers. Local Vietnamese demand does not normally anticipate or lead demand elsewhere in the world. Hence, the producers in Bat Trang do not get direct and immediate signals on the latest designs and consumer trends, or information on how to adapt products to gain substantial increases in margin. Family companies have only had the ability to export directly in recent years. However, increased tourism in Vietnam is now exposing Bat Trang to direct contact with buyers and some international consumers.

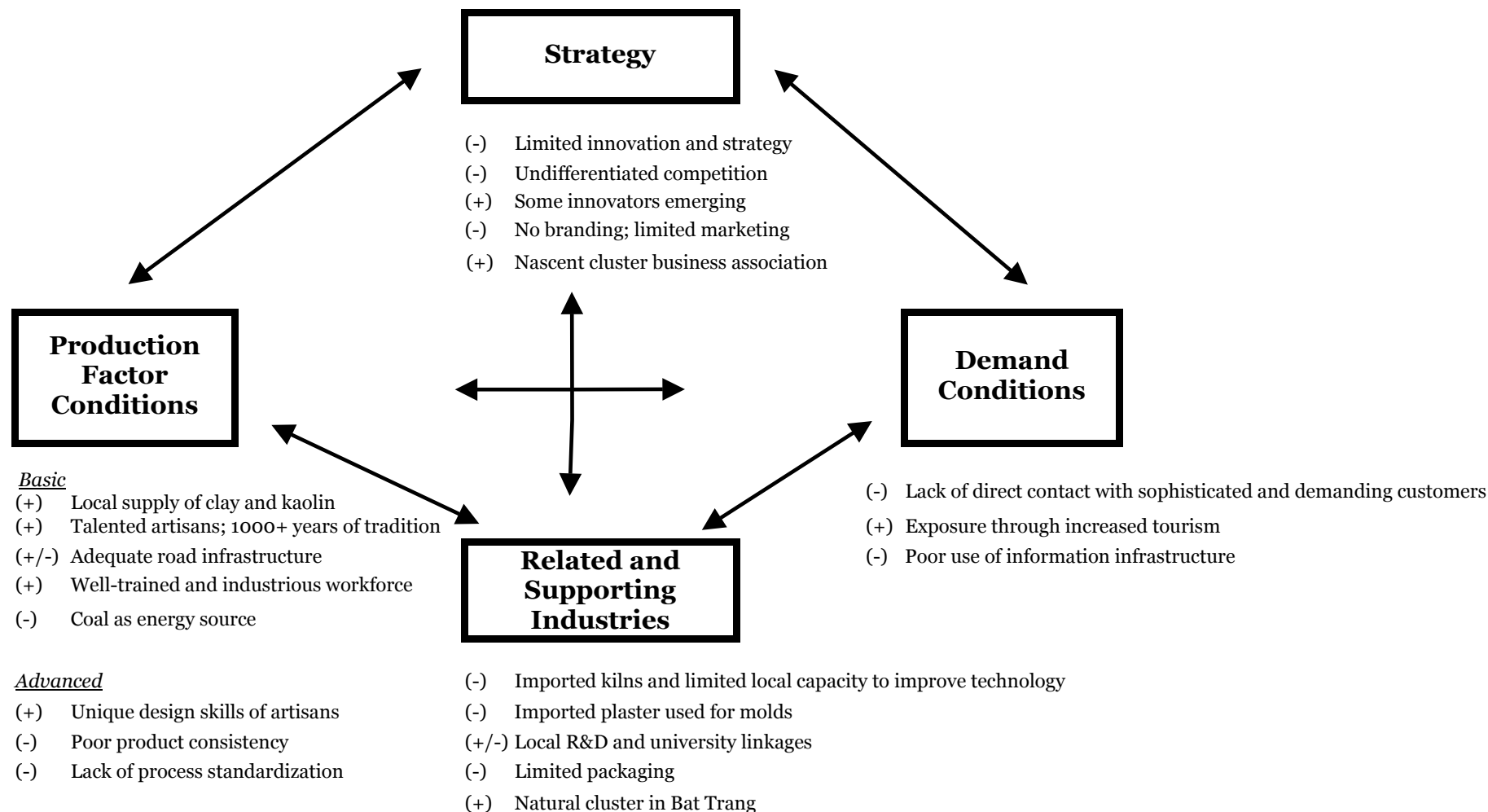
¹⁰ The Competitiveness Diamond was highlighted as a useful tool in USAID's recent strategy document, *Foreign aid in the national interest: promoting freedom, security, and opportunity*. See Chapter 2, "Driving economic growth," p.66.

¹¹ Michael Porter, *The Competitive Advantage of Nations*, NY: The Free Press, 1990.

¹² Demand conditions do not refer to general market trends or growth in demand but rather the direct exposure of producers to sophisticated and demanding consumers, especially those in the home market who may lead or anticipate demand elsewhere.

Figure 1. Diamond Analysis of Bat Trang Ceramics

Four determinants of cluster competitiveness



A few of the more dynamic producers are using the Internet to identify customers and learn about international market conditions. Bridges of information and communication need to be built between the most demanding consumers for products in developed countries and the producers in Bat Trang.

Production factor conditions

Bat Trang overly relies on basic factor advantages but has some high quality and fine art. The village enjoys relatively good access to deposits of clay and kaolin, which form the natural resource base for its ceramic products. It also has a low-cost but well-trained labor force of approximately 20,000 people in some 1,300 family companies. Families in Bat Trang have centuries of history in passing down skills from generation to generation.

Road infrastructure, while not great, is adequate given close proximity to Hanoi and from there to the port of Haiphong. Located on the Red River, Bat Trang also transports materials and products by boat. Energy cost and availability comes from both liquid petroleum gas (LPG) as well as from coal-fired kilns (there are 180 LPG kilns in Bat Trang). Coal, while cheaper than LPG, is a poor energy source from an environmental and health standpoint and there is a desire among the producers in Bat Trang to upgrade to cleaner LPG kilns. Products fired in LPG kilns have fewer defects and better quality consistency.

Bat Trang shows emerging capabilities in some advanced factors. According to industry expert Dr. John Mooney, Bat Trang has unique design and artisan skills. There is also a capacity to make a high-temperature red glaze that appears to be unique in the world. Many Bat Trang producers, however, lack process standardization, which results in poor product consistency. It is recommended that the village develop quality control methods and build upon the existing advanced skill factors. Reliance on low cost is NOT a competitiveness strategy recommended for Bat Trang. Producers who rely on low cost and under-cutting prices only compete against each other to keep their profits very small, in effect competing to be poor.

Related and supporting industries

The historical focus of the village on pottery production and support of this activity creates unique potential for a natural cluster of related and supporting industries in Bat Trang. The cluster of related and supporting industries is present but needs strengthening. There are close linkages between the industry and the Hanoi School of Industrial Design, which has a ceramics division that works on designs and glazes. The Hanoi Polytechnic Institute has capabilities in technology that could be more completely utilized to improve kiln design in ways that would be more energy efficient and potentially reduce the costs of importing kilns. The plaster used for molds is imported, which limits producers' access to this key product and influence over its production and price.

Protective packaging suppliers could improve domestic product presentation through more aesthetic packaging and reduce damage to exports through better quality packaging. Currently plastic bags are used for some domestic packaging, which doesn't protect the product or promote a good quality image. The quality of export packaging is marginal and should be improved to prevent loss through

breakage. Although road access is limited, containers are able to get in and out of the village.

Strategy

Conscious or not, the Bat Trang strategy seems to be to compete on the basis of low cost with a limited line of traditional products selling largely through intermediary buyers. The village has hundreds of years of production experience but stakeholders confessed to being relatively new at thinking about markets and strategy. Therefore, products tend to be similar and there may be intense rivalry on the basis of limited product offerings. The lack of market-oriented strategies, while understandable for historical reasons, can now be addressed and result in higher sales values per unit. Improved strategy can improve the prosperity of the village over the medium term.

There has been little development of strategies for innovation or product differentiation, although some firms show highly sophisticated design and artistic capabilities. A few firms are demonstrating the advantages of finding niche clients with specific needs and then providing products that provide additional margins. Many Bat Trang products are not branded by origin and most companies have not developed trademarks, limiting the recognition of the Bat Trang pottery tradition. A few companies have begun to experiment with the Internet to find markets and customers, but the majority of firms wait until buyers come to the village. Clients choose Bat Trang rather than Bat Trang choosing its clients.

A positive strategic decision was the creation in 2001 (officially launched in November 2002) of the Bat Trang Fine Arts Ceramics Association. The association, at the time of writing, consists of 30 companies and 206 family units. An embryonic staff of three people has been hired. VNCI has been invited to be a lead consultant to the association in providing strategic and catalytic assistance.

Variability in quality because of a lack of process control technology may also be positioning the cluster at the low end of the market even though many of the products are of world-class quality for this niche market. Some innovators who are adopting new strategies, improving process technology, and creating new designs are already emerging, however, this process could be accelerated.

Conclusions of Diamond Analysis

Bat Trang needs to improve its knowledge of international consumers and markets so that firms in the village can have a wider set of sales opportunities to build both volume as well as per-unit price. Closer linkages to sophisticated end-users will drive improvements in strategy and the upgrading of production factors. Strategy should focus on repositioning the industry from over-reliance on low-cost production to quality improvements, innovative designs, marketing and utilization of appropriate company and village branding. The industry cluster can improve competitiveness strategy by making better use of company trademarks and mark-of-origin branding for Bat Trang products that meet certain quality standards. Acquisition of process control technology can help improve the consistency of quality. The further development of the cluster of related and supporting institutions can incorporate university R&D for upgrading kiln technology and product design.

3.7 Diagnostics Summary

VNCI uses multiple business diagnostic tools in order to look at the issues addressing the cluster from multiple perspectives and to triangulate results for a comprehensive understanding of constraints to competitiveness. This approach helps the cluster to discuss core values and to identify proper boundaries of competition and cooperation.

Heritage preservation is a core value of the Bat Trang ceramics cluster. Bat Trang village has a 1,000 year history of quality ceramics production, which continues to this day. Nearly 250 companies and households are engaged in ceramics production, continuing the traditional craft of the village. The labor force in Bat Trang is highly skilled and dedicated to producing attractive products.

However, the Bat Trang ceramics cluster does face some serious issues that hinder its competitiveness. Bat Trang has excess capacity of two-three times current production levels. There is a strong need to find new markets to leverage this capacity and to utilize thousands of skilled laborers who are underemployed. Secondly, most producers use coal-burning kilns, which cause serious health and environmental problems for the community, in addition to hindering quality control. Lack of quality control and process standardization creates inconsistency in the quality of the products, which lowers the image of Bat Trang products as quality wares. And lastly, the village lacks a Master Plan to be able to explore its fullest potential, including increasing customer demand and meeting tourists' expectations and needs.

By analyzing the issues faced by the ceramics cluster and considering the core value of preserving Bat Trang's heritage, VNCI and the cluster stakeholders identified six zones of cooperation to improve the Bat Trang ceramics cluster's competitiveness. These zones are: (1) branding and international and domestic marketing; (2) enhancing product quality; (3) workforce action initiatives; (4) linkages with design, research and development, and learning institutions; (5) promoting and building Bat Trang's capacity as a tourist destination and (6) incorporating cluster development and cooperation into a village master plan.

The guiding principle, which is the ultimate objective of each of the above zones of cooperation, must be to preserve the heritage of Bat Trang.



4. Recommendations

As a result of the diagnostic analyses, six key strategies have been identified as critical areas to improve the competitiveness of Bat Trang ceramics:

- 1) Marketing (international and local)
- 2) Quality improvements
- 3) Workforce action initiatives
- 4) Linkages to design, R&D and education institutions
- 5) Destination Bat Trang
- 6) Village Master Plan

Short-term, intermediate-term, and long-term action initiatives, which correspond to each strategy, have been identified to help Bat Trang achieve the above strategies. The strategies and initiatives are described below and shown on the Strategic Action Grid (Table 4) on the next page. VNCI recognizes there may not be enough time and funding to undertake all initiatives. These action items are offered in hope that some will receive the support of the cluster, VNCI, and other donors towards fulfilling the strategic objectives of the cluster. It is expected that additional initiatives will be created as the proposed action items are explored. It is important, however, that all activities are done under a guiding principle: preserve the heritage of Bat Trang.

The Bat Trang Fine Arts Ceramics Association, working in close cooperation with VNCI and other donors, will be a key driver in these initiatives. A strong association is crucial to drive and assist the cluster; association development is an underlying administrative strategy for all six key strategies listed above, and can be supported by international association expertise and IFC's Mekong Project Development Facility (MPDF).

4.1 Marketing (international and local)

Promoting and increasing sales involves a better understanding of foreign and domestic buyers and the necessity for the village to brand and identify its products. Because the demands of the two consumer groups are different, this strategy is divided into three parts: (1) branding, for both the domestic and international markets; (2) understanding and promoting to foreign customers; and (3) addressing the domestic Vietnamese market.

Branding

A short-term initiative that addresses both markets is origin branding for Bat Trang products that meet certain quality standards. The Bat Trang name and logo on the bottom of a product will spread awareness of Bat Trang as a quality ceramics production center and attract more customers. It is important, however, that the Bat Trang brand is associated with quality products and that the brand is only applied to products that have met certain standards so the name isn't associated with inferior or inconsistent quality. Only full cluster association

Table 3. Strategic action grid
Guiding principle: preserve the heritage of Bat Trang

Zones of cooperation	Short-term	Medium-term	Long-term
1. Marketing			
- Manufacturer and origin branding	Origin branding for quality products; manufacturer brands encouraged	Website with video; join int'l associations	Interactive Bat Trang museum
- Increase foreign demand	Identify existing customers; survey buyers and consumers; develop database for contacts	Identify major buyers for targeted marketing	Attendance at major trade shows; buyer "open house"; buyer referral program
- Increase domestic demand	"Seconds" labeled; stable distributors identified	Stable distribution system established	Bat Trang Ceramics Showroom opened
2. Quality improvements			
- Improve process knowledge to address inefficiencies	Send samples to test lab/university for analysis; procure measuring equipment; obtain process testing procedures	Campaign to protect intellectual property rights of designers; international food-contact safety standards; pursue offer of technical support from Staffordshire, UK	Firms specialize; number of firms directly involved in production reduced and moved into related and supporting industries
3. Workforce initiatives			
- Maintain and improve the workforce	Testing equipment training	Association facilitation of training needs assessment and skills training	Permanent Bat Trang training center
4. Design/R&D/education linkages			
- Knowledge sharing	Develop long-term relationships with domestic and international institutions; graduate student focus groups	Study tours and student internships	Resident advisors
5. Destination Bat Trang			
- Promoting tourism in Bat Trang	Survey current visitors; develop brochure; simple tourist map; develop relationships with tourism stakeholders and VNAT; Discovery Channel video	Pilot activities for tourists; open restaurant with bathroom facilities, identify potential investors; detailed map with street names	Guest-house, mini-hotel, etc. Interactive Bat Trang Museum and visitor center
6. Village Master Plan			
- Develop a natural cluster	Develop strong natural cluster association with easy member identification Close coordination with overall Village Master Plan		

members should be allowed use of the brand as a means of quality control and to limit copying and counterfeiting of the brand and member designs.

Producers should be encouraged to develop their own manufacturer brands, and the Bat Trang quality brand can be added as an exclusive quality mark to show consumers that the product and producer have met industry standards. Brand awareness and recognition can cause consumers to demand specific brands and prevent competitors from passing Bat Trang products off as their own. All logos should be both artistic and impressive to represent the brand well. Consumers are attracted to unique and distinctive styles of products; the brand image should support these characteristics.

Bat Trang Pottery in Cambodia?

While looking at “local” products during a recent trip to Cambodia, a VNCI staff saw a display of nicely packaged Cambodian black pepper. The pepper was in a beautiful blue and white ceramic dish that looked just like the styles produced in Bat Trang. It was covered with clear plastic wrap, which was secured on the bottom of the dish by a sticker that said “Made in Cambodia.” While the pepper was clearly a local product, unsuspecting tourists would believe that the dish was also made in Cambodia due to the placement of the sticker.

Developing a cluster website to represent all Bat Trang producers will further market the Bat Trang brand, abroad and domestically. All marketing activities should refer the recipient to this website for further information. An online video (in several languages), highlighting Bat Trang heritage and showcasing artisans’ skills and final products, could be posted on the website to attract buyers and consumers. The cluster association should also join other international associations (for example, the American Ceramic Society, the Australasian Ceramic Society, and the European Ceramic Society) to keep informed of research, innovations, trends, news, and events in the ceramics industry around the world. The association should also develop and maintain a database to record and manage their contacts, both outside and within the association. A database would include contact information and a history of interaction with the contact.

The development of the proposed Museum of Bat Trang to both preserve and publicize the talents and products of the people of the village is a long-term initiative.

Promoting to foreign customers

An important short-term initiative is identification of the existing customer (not buyer) base internationally. Who buys Bat Trang products? It is important to understand who the ultimate consumer is in various international markets in order to meet their needs and demands in terms of product design, color, quality, and pricing (keeping in mind that consumers in different foreign countries have different tastes and demands, even within Europe). Knowledge about the end customer and the stores where they buy ceramic art and dinnerware, and which brands they prefer, will help Bat Trang identify and target other buyers with a similar customer base. A review and survey of buyers and consumers to identify image perception and areas of improvement should be conducted. It is equally important to understand why consumers like Bat Trang products, in order to enhance and continue successful practices. The cluster should always know who their customers are and what their needs are.

More customers can be reached by marketing Bat Trang products to major international buyers with similar customer bases. Based on survey results, major buyers in the U.S. and other large markets (including Japan and Europe) should be identified for a targeted cluster advertising campaign by mail, internet or other avenues; joint efforts to identify key international clients can benefit the entire cluster. An advertising campaign, in addition to providing product and producer information, should highlight Bat Trang's ceramics tradition and skilled workforce. Marketing activities should show these competitive advantages to differentiate Bat Trang from competitors.

The cluster association can represent the Bat Trang brand at major trade shows and invite buyers to visit the village by holding an "open house" for exporters. The open house should be tailored to show product samples suitable to the tastes and demands of the guests, based on buyer survey results. A business referral program could be developed for current clients in which they receive a discount for referring new business. If cluster stakeholders work together and channel their creativity and energy, name and brand recognition will increase, benefiting all.

Addressing the domestic market

The Vietnamese consumer will become more demanding and sophisticated as they are exposed to a greater selection of quality products as markets open up. The domestic market will grow for Bat Trang products as incomes increase and should be respected; poor quality products should not be dumped on the local market because Vietnamese consumers will associate Bat Trang with poor quality. It is not clear whether the production of lower quality products is distributed across all producers, or if this is largely a result of some producers having lower level quality controls or skills. If it is the latter, then some of these producers could be encouraged to switch their focus to related or supporting industries. As a short- to medium-term strategy, lower quality products could be packaged and labeled for sale as "seconds" to generate revenue while not contributing as strongly to the low-quality image. "Seconds" could be marked with a sticker, for example.

Small Bat Trang producers currently over-rely on wholesalers who don't specialize in pottery or concentrate on specific manufacturers and styles. Because the wholesalers don't understand the products, the consumer's ability to differentiate between different Bat Trang producers and find items that meet their demands is hindered. Because the wholesalers don't specialize, they won't generate demand for specific products and are apt to sell whatever consumer good they can easily obtain, fragmenting distribution channels. Many wholesalers undercut one another to attract customers; this keeps prices and profit margins low and unstable. This also results in a high turnover of wholesalers because they cannot earn enough profit to support themselves.

Even boutique shopkeepers in Hanoi often do not have time to go to Bat Trang to source merchandise and rely on wholesalers. Shopkeepers need to have a reliable and knowledgeable source for their products so they can maintain sufficient stock levels and identify and purchase specific products that would appeal to their customers. Convenient and systematic sales through a stable distribution system of experienced, professional wholesalers will increase sales to retailers, maintain price stability, and further promote brand loyalty.

Bat Trang should leverage close proximity to Vietnamese buyers for the domestic market. To further educate the domestic market about Bat Trang manufacturers and quality, a Bat Trang Ceramics Showroom should be opened in Hanoi and eventually in Ho Chi Minh City. A clean showroom that separates merchandise by manufacturer brand will educate consumers about the different brands from Bat Trang and help to build brand loyalty. Sophisticated consumers associate product display with product quality. A clean, well-labeled and displayed (merchandise should not be crowded or stacked) showroom will promote Bat Trang as a producer of quality products.

The village is not in need of a massive overhaul of its product line at this point, rather an incremental product expansion as new markets emerge or as the village becomes familiar with markets through this strategy.

4.2 Quality improvements

The village cluster identifies their technical problems and areas where they need help as follows:

- 1) Mold materials, cost and strength of molds;
- 2) The need for whiter product/glazes;
- 3) Faster firing schedules;
- 4) Better colors;
- 5) Fuel saving kilns, effective usage of kilns, measurement of when product is finished; and,
- 6) The need to exchange information with qualified universities, need for student participation in the village.

The authors of this report agree with the diagnosis of the village cluster but put the elimination of defects in the glaze surface as a top priority both to produce better quality for the discerning export markets and to reduce the cost of having to fire products a second time to meet export quality standards.

The quality level, both in terms of aesthetic and technical quality, of the top range of products produced in Bat Trang village exceeds that of all of the nations mentioned in the GAP analysis (section 3.5) of this report. Until this point, Sri Lanka had been identified as having the best aesthetic and technical quality, but the best Bat Trang quality is better than that from Sri Lanka. There is a great difference, however, between the best and worst technical quality products from Bat Trang. Process efficiency improvements can improve quality and reduce product defects.

The key to the solution of this problem is a better technical understanding of the materials and processes used in the village. Improved process knowledge will lead to improved solutions to problems, and higher quality products. The technical infrastructure in the village is adequate for the purpose intended so only a “tweaking,” rather than a major overhaul, is needed.

Short-term action initiatives include sending materials and product samples to a major ceramics university for analysis and recommendations. As of the date of this report, materials and product samples have been collected and will be taken to the U.S. for analysis at Rutgers University.

The lack of process standardization reduces product quality and consistency, which is important for attracting and retaining new business. There is a strong need in Bat Trang for basic analytical equipment to monitor process variables to improve consistency. Specifically, the casting rate and body strength should be measured and improved for consistency and pyrometric cones used to monitor kiln performance. This equipment may be donated by a participating university, produced in Bat Trang, or donated by suppliers of materials interested in the Vietnamese market for their products. Test procedures have been requested from Rutgers and will be provided to the village. A recent trade delegation from Staffordshire, England, is considering how they can assist Bat Trang with technical improvements and support, particularly regarding kilns.

There is a tendency in Bat Trang to copy existing designs, primarily because the village is a contract supplier and produces to meet buyer demands. This discourages creativity and deters business; buyers may hesitate to order from Bat Trang if they fear their designs will be copied. The cluster association can lead the drive to reduce copying by upholding standards of excellence and refusing membership to producers that copy existing designs.

The cluster association should also research, understand, and disseminate information to all Bat Trang producers about international safety requirements for products that come into contact with food. Standards vary by country, so they should be researched and standards met for every country to which Bat Trang exports by every producer. These standards are readily available on the Internet.

As stated in the previous section “Addressing the domestic market,” the cluster can work together to identify some of the lower-quality producers and help encourage them to switch their efforts to related and supporting activities of the industry. For example, as the tourism focus develops there will be many new opportunities in Bat Trang for tour guides, food and other product sales, teachers for pottery classes and workshops aimed at tourists, etc. Firms and families that do not or cannot produce high-quality products should be encouraged to specialize in a supporting industry, to help raise the overall quality of Bat Trang products. Examples of related and supporting industries include mold production, packaging production, transportation services, and professional services

4.3 Workforce action initiatives

The flight of talent from the village is a major threat to Bat Trang’s competitive advantage. More and more skilled village workers are moving south to work in areas that are more financially viable. These skilled workers are critical to maintaining the heritage of the village and the ability to produce unique products. It is important that the working environment in Bat Trang is attractive to encourage these skilled workers to stay. The working environment will be attractive if the cluster is strong.

For example, it takes eight months to train a worker in hand-decorating techniques (assuming that the worker has the desire and capability to learn this skill). Hand-decorating is one example of the skills that have been passed down through the generations of artisans in Bat Trang. These skills and this tradition are major strengths of the village’s unique capabilities and must be preserved. As

mentioned earlier in this report, the highest skill level of Bat Trang artisans is among the highest in the world, however there is a wide gap between the highest skill level and the lowest skill level. High-level skills must be maintained and the skills of the average workers improved. We recognize that there are many organizations specializing in workforce action initiatives and we do not want to duplicate their efforts, however we have identified a need for assistance in two areas that we can support: quality enhancement and tourism skills.



Products are hand-painted by a well-trained and skilled labor force.

Analytical equipment to test the quality and consistency of Bat Trang products is an imperative quality improvement initiative. Bat Trang should not have to rely on testing conducted abroad, but should be able to conduct it themselves, in their own village. A testing center should be developed to facilitate this, complete with donated equipment, space and trained technicians. A village family could run this on a small fee-for-service basis. As of the date of this report, Dr. Mooney is already gathering testing procedures. Linkages with technical and education institutions should be leveraged to locate testing equipment for donation. MPDF has offered assistance in providing a trainer to train technicians. Bat Trang should identify a building to house the testing center and leverage local university graduates' knowledge and connections to further develop and sustain the center.

In the intermediate-term, the cluster association can facilitate skills training (conducted by members) and eventually create a permanent training center. A simple training needs assessment should be conducted of cluster stakeholders to identify what skills and training are needed. English-language, marketing and customer service skills should also be taught in addition to technical skills, in order to improve the workforce's ability to service foreign buyers and tourists. Volunteers from cluster stakeholders can teach the initial courses until a permanent center is developed. Industry-managed training will provide a better fit between demand for and supply of skills.

In the long-term, a permanent center should be developed, which will evaluate students and develop a skills certification program to ensure a consistent, high level of skills among all Bat Trang workers. Some students may enroll to learn basic skills before beginning an apprenticeship with an experienced artisan, while other workers may come to improve or upgrade their existing skills. It should be noted that this training center is not designed to replace a university-degree

program, but to provide low-cost opportunities for skills development and improvement in specific areas.

4.4 Linkages with design, R&D, and education institutions

Developing relationships with outside sources of technical and design competence will link the cluster with the latest material, product, equipment, and design innovations, as well as provide a source of advisors (potentially resident advisors) and student interns. The cluster should be abreast of the latest research and innovations for new or improved industry technologies; knowledge sharing can improve cluster competitiveness.

The cluster association should, in the short-term, begin to develop lasting relationships with leading international and domestic research and education institutions in the field of ceramics. Linkages with the following institutions are proposed:

- The Hanoi College of Industrial Design
- Hanoi University of Technology
- A major U.S. ceramics university such as Rutgers University in New Jersey or Alfred University in New York.

The Hanoi College of Industrial Design will provide both theoretical and practical design expertise together with a creative atmosphere to broaden the design perspective of the village. This college teaches fine arts in several areas, including ceramics, and is equipped with an excellent ceramics studio for training, experimenting in designs, and prototyping. Deputy Director Le Huy Van of the college has already expressed a willingness to enter into a partnership with the village cluster.

The Hanoi University of Technology, coupled with an international university, can provide technical capabilities, especially in the area of kiln design, construction, standardization, and operation. Dr. Prof. Nguyen Dang Hung of the University has expressed willingness to work with the village cluster.

Rutgers University School of Ceramics is one of the foremost ceramic schools in the world and has experience working with developing ceramics industries abroad. They can provide technical analyses of materials and products, training of students or village manufacturers, and could be a source of technologists for the village. Dr. Richard Haber, Professor and Assistant Director of the Center for Ceramic Research at the university, has expressed willingness to participate.

Other ceramics universities, such as Alfred University in New York will be invited to participate. This linkage should occur as soon as possible and could be modeled after the Centers for Technical Excellence program being created in Sri Lanka under the auspices of the Competitiveness Initiative in that country, implemented by J.E. Austin Associates. The cluster association can serve as the main point-of-contact and coordinate assistance, both technical and marketing, from domestic or international sources. The association would also be responsible for having relevant international research papers translated into Vietnamese and distributed among the cluster, and helping to place student interns.

Vietnam is becoming a popular destination for U.S. business school student study tours. Another short-term initiative is to leverage these visitors for a focus group. This will be an effective way for Bat Trang producers to gain feedback on products (design, quality, price and presentation), retail sales skills, and overall experience in Bat Trang from business people with a fresh perspective. This initiative can be developed through VNCI and Hanoi School of Business contacts.

Conducting study tours abroad, and receiving study tours from abroad, is an intermediate-term initiative that should be considered as another method to keep producers abreast of the latest innovations and trends in the international ceramics industry.

Long-term initiatives include furthering cooperation with the research and education institutions to develop resident advisor and student internship programs. Innovators from the institutions can spend a period of time, or even reside, in Bat Trang to visit producers and provide technical expertise. Advisors could also serve as guest lecturers and hold seminars at the Bat Trang training center.

Student internships would provide students in ceramics technology and design with valuable hands-on industry experience. A positive internship experience would also encourage new graduates to lend their skills and energy to supporting the further development of the Bat Trang cluster.

4.5 Destination Bat Trang

Arrivals of foreign visitors to Vietnam increased 11.5% in 2002 as compared to 2001, to a total of 2.6 million visitors. This positive trend is expected to continue: 2.8 million foreign visitors are forecast to arrive in Vietnam in 2003.¹³ Bat Trang has enjoyed increasing numbers of foreign visitors due to the popularity of Vietnam as a tourist destination and its proximity to Hanoi. So far, the village's response to tourism has primarily been reactive, rather than proactively attracting visitors and developing tourism in Bat Trang to have a positive effect on the entire community. The cluster should leverage the increase in tourism and promote Bat Trang as a tourist destination.

It is important that the cluster recognizes the opportunity that increased tourism presents. Tourists are going to come to Bat Trang; the village should harness this trend and direct it to attract more tourists, enhance the Bat Trang experience of tourists, and distribute the advantages tourism brings throughout the village. If managed properly, increased tourism will not only increase sales to tourists through retail outlets and increase the worldwide awareness of Bat Trang as a source of fine ceramics, but will also provide a source of income for families that are not involved in pottery production.

¹³ *Vietnam Economic News*, February 11, 2003, pg. 34 – 35.

Sustainable tourism growth should be the objective, so tourism does not destroy the heritage or environment of Bat Trang and producers are not distracted from their principle work. In order for the village to have a positive experience with tourists, and for tourists to have a positive experience in Bat Trang, the village should be proactive and develop its tourist infrastructure.

When developing initiatives to attract visitors, the cluster should learn who their current visitors are and who their potential visitors are, in order to determine the needs of those visitors and how to meet them. Thus, short-term initiatives should begin with a survey of current visitors to Bat Trang to learn how the tourists found out about Bat Trang, why they came, if they enjoyed their experience, what they liked and didn't like about Bat Trang, their recommendations for improvements, and suggestions for attracting more foreign visitors. Based on the results of this survey, additional ideas to increase tourism and ways to promote Bat Trang can be determined.

In order to promote Bat Trang and for visitors to learn more about the history of the town, a 'Destination Bat Trang' brochure should be developed. A well-written and engaging history of the 1000 year-old village could add value to the product in the mind of the consumer who may be unaware of Bat Trang's illustrious history. This brochure should include a simple map, village history, information about the process of making ceramics, and photos of artisans at work. In order to attract visitors to Bat Trang, the brochure should be made available to tourists before they come to the village.

The cluster association should establish contacts with existing tourism stakeholders (such as hotels, tour agencies and cafes) in Hanoi to pilot the brochure and test its effectiveness in attracting tourists and disseminating

Two foreign visitors' experience in Bat Trang

In March, two American tourists, in their late 50s, wanted to get out of Hanoi, see a traditional craft-producing village, and learn about the life of the artisans. Bat Trang was selected due to its proximity to Hanoi and the couple's appreciation of fine ceramics.

The couple was dropped off by their taxi driver at the end of the main shopping street in Bat Trang. At the beginning of the street, the large woven baskets packed with pottery, protected by straw, intrigued them. They were amazed at the balance of the young workers carrying long planks of wood stacked with unfired bowls and vases, like waiters in cafés. But they were also disappointed; the long street filled with modern cement buildings felt more like Hanoi than the traditional village they had hoped to visit.

The visitors were pleased that many of the shops accepted credit cards and many shopkeepers spoke a little bit of English, and were very friendly. They wanted to buy a teapot, and saw many lovely designs, but they were surprised when they were repeatedly told they had to purchase teapots as a set with cups, which they didn't want to buy. They thought the products were very pretty, but didn't feel they could really appreciate them as much of the stock and shelves were dirty, and the lighting poor. The shelves were crowded with merchandise, making it difficult to appreciate the displays. After entering a few smaller shops they decided to try to find larger shops because they couldn't detect from the street any differentiating characteristics between the small shops and were tired of the repetition.

In the first large shop they visited, the shopkeeper invited them to see her workshop. The visitors were very excited for the opportunity to learn how ceramics are made and to see the village at work. They were impressed by the amount of detailed attention that is paid to each item and they couldn't believe their eyes when they saw artists hand-painting each product. They had thought Bat Trang products were attractive, but their appreciation for the workmanship increased through their visit to the workshop.

information. Once a final brochure has been developed, its distribution should be increased to include tourism stakeholders throughout the country and international travel agencies sending tourists to Vietnam. The cluster association should establish contacts with the Vietnam Association for Tourism (VNAT) for assistance. The brochure should also be available in every shop in Bat Trang.

While tourists to Bat Trang enjoy shopping for pottery, many would like to see it being produced (including painting and glazing). The association should identify a producer where tourists can, without disturbing their work, observe artisans in different stages of production. Many tourists are also interested to learn more about the history of Bat Trang and ceramics production in Vietnam. Copyrighted (not pirated) copies of the Discovery Channel video, “Lost Ship of Cu Lao Cham: White Gold of the Dragon Sea”, about the excavations of ceramics near the Cu Lao Cham islands should be made available for sale in Bat Trang.

Intermediate-term initiatives include piloting new initiatives to attract tourists. Tourists should be presented with a menu of pottery classes of varying lengths. This will appeal to a broad-range of interests and time constraints. Potential initiatives include a two- or three-hour pottery class where tourists may experience the “hands on” creation of their own ceramics (for a small fee), or a pottery outlet where tourists can decorate a variety of unglazed ceramics (for a small fee). In these cases, the pottery could be fired overnight by cooperating kiln owners and delivered to tourists at their hotels in Hanoi or in Bat Trang.

The cluster association should maintain relationships with tourism industry stakeholders to market these new initiatives. Any marketing materials should include a detailed Bat Trang map so tourists can find their intended destination within the village. Once a detailed map is produced, it will be included in the next brochure printing. In order for the map to be useful, street names must be included and they must be posted in Bat Trang. As tourists walk through the village trying to find specific locations for initiatives, they will depend on street signs to help them find their way.

Infrastructure must be developed to support the needs of tourists. At least one small, clean and attractive eatery should be opened so tourists can stay more than a few hours. The restaurant should have clean bathroom facilities and a menu providing food that is enticing to tourists, whether Vietnamese or foreign food (tourists should be surveyed to learn their tastes). Investors should be found for a guest house or mini-hotel where tourists can stay while they partake in 2-3 day pottery classes and visiting buyers and technical advisors can stay overnight when they come for business.

Long-term initiatives include opening a hotel and establishing a Bat Trang heritage tourist center and museum. When tourists travel to places of historic interest, their experience is enhanced by interactive museums that demonstrate the history of the destination and how it relates to the contemporary context. In the case of Bat Trang, a visitor center should have a detailed and interactive exhibit showing the process, beginning to end, for producing pottery. There should be an exhibit on the history of Bat Trang and pottery production in Vietnam, which should explain how production and design has evolved through time. A smaller exhibit could explain the stories that are told in some designs and another exhibit could focus on the colors used in glazes and how they were

traditionally produced. Special presentations could include guest lectures on the history of Bat Trang or the history of ceramics production in Vietnam. Visitor centers also serve as reliable sources of basic information for visitors, such as explaining transportation, lodging, and dining options. All personnel who interact with tourists should be properly trained to carry out their duties, including English language training.

A ceramics company in Chu Dau village in Hai Duong province plans to develop Chu Dau as a tourist attraction. Bat Trang should quickly build upon and leverage its established name and status as a craft village and contacts with tour industry stakeholders so Bat Trang is not outpaced or overshadowed by Chu Dau.

4.6 Village Master Plan

In order to compete effectively on a global scale, the Bat Trang ceramics industry must develop a natural cluster. When industries compete as clusters, the entire supply-chain benefits: relationships are strengthened, stability is increased, and cooperation fosters creativity. United as a cluster, Bat Trang will present a stronger front to develop the industry.

The main driver of this cluster approach should be indigenous to Bat Trang and understand all elements of the supply chain. The Bat Trang Fine Arts Ceramics Association is ideally positioned to lead the cluster-building process. VNCI, MPDF, and other stakeholders should help strengthen the Ceramics Association to drive the initiatives described here and other initiatives that will naturally evolve as a result of collaboration, discussion, and implementation. The association should have permanent staff to support the membership and at least one staff member must be computer literate and proficient in English to manage the database and interact with foreign buyers and tourists.

Developing a common identity among member firms would increase membership, promote association membership as a mark of quality and promote Bat Trang products. Potential initiatives include a Bat Trang Association seal on invoices and Association business cards, including a photo of the town on the front and Bat Trang history on the back, which could be placed in shopping bags. Firms should retain their own identities, but also contribute to the development of the cluster.

There are many small producers in Bat Trang, some of which produce very high quality and unique designs; others try to earn a living producing lower quality products and copying designs. By reducing the hassles associated with locating and importing materials and customers, a strong natural cluster in Bat Trang will improve the working environment and support artisans so they can focus on improving quality and skills. Combined buying power will help to lower prices of materials and other supplies, and combined efforts in the initiatives identified in this strategy will increase success.

Because Bat Trang is made up of many small firms, has not formed a cluster and there is limited cooperation, there is duplication of some efforts. Specialization of firms would reduce this problem, improve quality, and improve efficiency. Firms should be encouraged to specialize from direct production into the cluster of related and supporting industries. Rather than spreading their labor and other assets too thinly, firms can focus on and master specialty services, including, for

example, mold production, packaging production, transportation services, and professional services. Additionally, firms can move from production into tourism services and other initiatives proposed in this document.

Action initiatives proposed in this document and selected for implementation should be conducted in coordination with the Village Master Plan. It is important that there are linkages and synergy between the strategies; the competitiveness strategy document is a component of the overall village development plan.



5. Conclusion

The Bat Trang ceramics industry has a unique 1,000 year heritage of pottery production, with artisan families passing on their skills through generations. This tradition has resulted in highly-skilled and talented producers who create some of the best pottery in the world. Due to its history and talents, the village focus on ceramics production creates an environment that is conducive to forming a natural cluster.

As for all Vietnamese industries, the Bat Trang ceramics cluster is faced with a great opportunity - thanks to Doi Moi - to reach international markets. However, Bat Trang is unique in that it already has highly competitive advantages and talent to serve as a foundation for future success. Building upon this foundation, six key strategies have been identified to increase Bat Trang's international competitiveness:

- 1) Marketing (international and local)
- 2) Quality improvements
- 3) Workforce action initiatives
- 4) Linkages to design, R&D and education institutions
- 5) Destination Bat Trang
- 6) Village Master Plan

These strategies are designed to enhance Bat Trang's current strengths (tradition and skill) and take advantage of new opportunities (open markets and increased tourism). A menu of proposed action initiatives given in Table 4 identifies steps towards achievement of these strategies. Additionally, Bat Trang has developed a new cluster business association that, once strengthened, can guide Bat Trang in implementing some of the proposed action initiatives and toward increased competitiveness. Effective and strong partnerships can support the association as they implement initiatives. All initiatives, in order to be successful, should be driven by Bat Trang stakeholders and implemented under the guiding principal of preserving the heritage of Bat Trang.

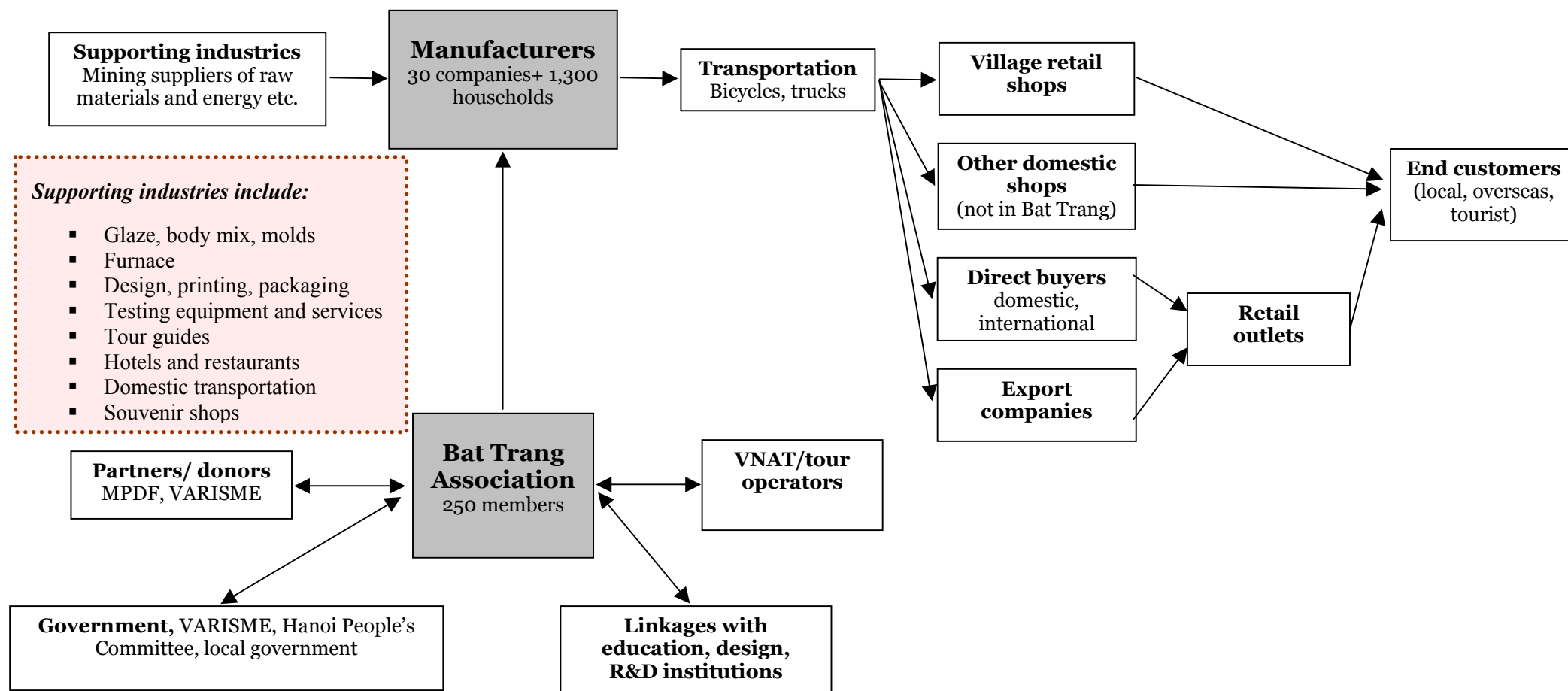


Annex 1

Bat Trang ceramics value chain

Figure 2. Bat Trang ceramics cluster

An effective cluster should include a critical mass of representation from the value-chain to improve knowledge, share resources, and stimulate creativity, innovation, and entrepreneurship.



Annex 2

Cluster engagement model

Cluster engagement model

Pre-engagement: Cluster selection process.

STAGE 1. Cluster engagement and data collection

Engage stakeholders:

- Industry champions
- Business association leaders
- Government regulatory/oversight agencies

Meet and discuss

- Convene large groups
- Organize cluster steering committee
- Additional meetings/ focus groups

Gather data and conduct secondary research and other measurement

STAGE 2. Cluster diagnostics

Information gained from Stage 1 Data Collection used in applying diagnostic tools (multiple tools used to validate results)

- Industry analysis
- SWOT
- Gap
- Value chain
- Benchmarking
- Porter's Diamond
- Other analysis tools

Diagnostic tools allow for identification of:

- Core values
- Guiding principles
- Boundaries/zones of cooperation/action areas
- Major issues faced
- Effort made to build trust and formulate codes of conduct for cluster co-operation

STAGE 3. Zones of cooperation/action areas

Diagnostic tools and input from cluster members allows for identification of areas of potential strategic activities, called Zones of Cooperation, that are appropriate for unified action.

Boundaries of co-operation vs. competition are defined and agreed by the cluster

STAGE 4. Structuring the results

The Zones of Cooperation and supporting action initiatives are presented as a menu of potential activities.

Example: Strategic action grid

Zones of cooperation	Short-term	Medium-term	Long-term
1)			
2)			
3)			
....			

STAGE 5. Implementation

Action items are selected from the menu by:

- Cluster
- Sub-cluster(s)
 - Clusters of Convenience
 - Clusters of Contracts
 - Clusters of Opportunity
- Business association(s)
- Donors/helpers
- Individual firms
- Other stakeholders

Implementation of action items may be driven and/or limited by:

- Resources
- Determination
- Cluster maturity
- Innovation ability
- Dependence of effective use of comparative advantages
- Geopolitical factors/environment

